

Squeezed out

Posted By [Al Harris](#) On June 22, 2011 @ 6:35 am In [News](#) | [8 Comments](#)



A prominent developer will sell his stake in the company his father founded under pressure from colleagues looking to force him out.

Richmond real estate developer **Hank Wilton** agreed Tuesday to sell his remaining shares in the **Wilton Companies** to an investment entity that told him it would foreclose on his house and force his wife into bankruptcy if he did not comply.

Wilton declared personal bankruptcy in September, no longer able to carry stalled residential real estate projects.

Under the agreement, a group named **Mountain Investments LLC** will pay \$1.47 million for his shares, or \$630.91 per share.

Behind Mountain Investments is **Rich Johnson**, the current president, CEO and chairman of the Wilton Companies, and **Rodney Poole**, the corporate counsel for the Wilton Companies.

Wilton said that Mountain Investment acquired a debt against him and his wife that was held by the Bank of Hampton Roads as leverage to force him to sell his shares.

"Either I had to sign it exactly the way they wanted or they were going to pull the deal and put my wife into bankruptcy, and I didn't want to do that to her," Wilton said.

Johnson did not return several calls requesting comment. Poole declined to comment, citing client-attorney privilege.

The shares that Wilton is selling to Mountain Investments include voting shares with special veto powers. Johnson and Poole hold the only other voting shares of the Wilton Companies, but Wilton's veto power gave him control over company decisions.

"I think they want control, and they don't want to have to ask me to do anything," Wilton said.

As part of the agreement, Wilton also agreed to step down from the Wilton Companies board of directors. He will continue to work part-time for the company for the next six years with a salary of \$50,000.

"I'm out and they're in, and that's where it stands," Wilton said.

The Wilton Companies owns more than 25 shopping centers and more than 4,000 apartments, mostly in the Richmond area. It was founded in 1945 by Wilton's father, E. Carlton Wilton. About seven years ago, the company was divided into shares and sold to investors, which included Wilton, Johnson, Poole and about 20 others.

Johnson and Poole, together with other unidentified investors, formed Mountain Investments in May and acquired a judgment from the Bank of Hampton Roads against Wilton and his wife, Cindy Wilton, in the amount of \$6.4 million, according to Wilton and corroborated by court documents.

Wilton said that Mountain acquired the note for \$3.4 million, or about half of the original amount.

He said he took that loan to pay off other short-term debts. The collateral shares were not enough to cover the loan after Wilton defaulted. The bank placed liens on the Wiltons' home on River Road in Goochland and their North Carolina beach house.

Mountain Investment told Wilton they would foreclose on both properties and as a result force his wife into bankruptcy if he didn't sign the agreement. By doing so, Wilton satisfied the debt held against him by Mountain Investments.

Wilton let his shares go for what he said is a very low price. The shares were valued at \$1,250 three years ago and will likely be worth more several years from now after the economy recovers, Wilton



said, adding that the company had to cut its 7 percent dividend down to less than 2 percent last year. It's just above 2 percent now, Wilton said.

Wilton's financial troubles began several years ago when the residential real estate market tanked. He filed for bankruptcy in September 2010 with liabilities totaling \$93.2 million, \$28.1 million of which was owed to secured creditors mostly consisting of banks that included First Capital, Bank of Hampton Roads, Village Bank and Wells Fargo. Wilton said the case will be converted to a Chapter 7 liquidation after the agreement with Mountain is approved by the bankruptcy court next month.

Wilton said the funds from the sale of his shares would go toward paying off the unsecured creditors in his

bankruptcy case.

The Wilton Companies board has two other members, Sam and Bryan Kornblau of Eagle Commercial Realty.

Their attorney, Buddy Allen with LeClairRyan, did not elaborate on the situation.

"We are in the dark, quite frankly, as to who Mountain Investments is," Allen said.

Allen confirmed an investigation is underway to determine who else is a part of the entity, aside from Johnson and Poole.

"We have a cooperative effort with Rodney Poole and the Wilton Companies to get more information. It's a voluntary process, and God willing we will be able to find out, for starters, exactly who Mountain Investments is," Allen said.

As for Wilton, he said that after the bankruptcy he plans to work as a consultant and possibly pursue a couple of small developments every couple years or so with other developers.

And he'll honor his part-time employment agreement with Wilton Companies.

"I'll go and if they need me to do something, I'll step up and do it," Wilton said. "When all is said and done, I guess we'll have to bury the hatchet."

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